

# CABINET

## Budget and Policy Framework Update – General Fund Revenue Budget 20 January 2009

### Report of Corporate Director (Finance & Performance) and Head of Financial Services

#### PURPOSE OF REPORT

To provide information on the latest budget position for current and future years, to allow Cabinet to make recommendations to Council on Council Tax levels for 2009/10.

Key Decision

Non-Key Decision

Referral

X

Date Included in Forward Plan

January 2009

This report is public.

#### RECOMMENDATIONS OF OFFICERS:

1. That the 2008/09 Revised Budget of £23.782M be referred on to Council for approval, with the net overspending of £571K being met from Balances.
2. That Cabinet notes the position regarding the Local Government Finance Settlement and capping.
3. That Cabinet recommends to Council that the minimum level of General Fund Balances be retained at £1M from 01 April 2009.
4. That Cabinet approves the reassessment of other earmarked reserves and provisions as set out in section 4 of the report.
5. That Cabinet notes the Council Tax Base of 43,200 Band D properties for 2009/10.
6. That subject to all the above, Cabinet notes the resulting draft 2009/10 General Fund Revenue Budget of £25.701M, and the indicative spending projections of £27.040M for 2010/11 and £27.987M for 2011/12.
7. That Cabinet considers the draft budget information and proposals as set out in the report and appendices, and:

- makes any further amendments as appropriate, and refers the updated information on for Council's initial consideration,
- makes recommendations to Council regarding the level of increase in Council Tax for 2009/10.

## Introduction

In recent months Members have approved various proposals associated with developing the 2009/10 Budget and Policy Framework. This report, together with the separate items on the General Fund Capital Programme and on the Housing Revenue Account found elsewhere on the agenda, provides a financial update in support of the process. In particular this report seeks Cabinet's recommendations regarding Council Tax levels for 2009/10 for referral on to Council.

## Proposal Details

### 1 GENERAL FUND REVENUE BUDGET – CURRENT YEAR

- 1.1 At Council on 27 February Members approved the current year's budget at £23.496M, of which £23.211M related to the City Council and £285K related to parish precepts. Since then, various adjustments have been approved and a high level review of the Council's Medium Term Financial Strategy (MTFS) has also been completed.
- 1.2 In addition a more in-depth analysis of all current year budgets has now been undertaken in conjunction with Service Managers. This has resulted in a revised (City Council) budget of £23.782M, representing a projected overspending of £571K or 2.5%, but which includes some fairly large specific variances as highlighted in the table below. A more detailed analysis is set out at **Appendix A**.

	<b>2008/09 Favourable(-) / Adverse (+) £000</b>
<b>Original Budget as approved on 27 February 2008</b>	<b>23,211</b>
Concessionary Travel (net, after applying reserve)	+417
Treasury Management (mainly reduction in income)	+110
Neighbourhood Management	+114
CC(D)S net operational savings (re assumed highways surpluses etc.)	-446
Markets and Other Property	+325
Initial Review of other Provisions and Reserves – see later section	-95
Other net budget changes	+146
<b>Updated Revised Budget Position</b>	<b>23,782</b>
<b>Overspending to be met from Balances</b>	<b>+571</b>

- 1.3 In setting the current year's budget, it was anticipated that year-end balances would be in the region of £1.5M. This is the first time in several years that an overall overspending is forecast. During the recent Medium Term Financial Strategy (MTFS) Review, a net overspending of £336K was projected and in the main, this has only changed because of the recent developments in concessionary travel pooling

arrangements, and also because of assumptions regarding the termination costs associated with Neighbourhood Management (see comments below).

1.4 Should the Revised Budget be approved as set out above, the net overspending would need to be funded from Revenue Balances, resulting in a total of £1.697M being used to support spending in this year. A statement on the balances position is set out at **Appendix B**.

1.5 Certain issues are worthy of specific note:

- Concessionary travel costs are now expected to exceed the original budget by £641K, although the impact reduces to £417K after taking account of the use of the specific reserve set up last year. It should be noted that a capitalisation bid has been submitted by the Head of Financial Services (then estimated at £565K). There is significant uncertainty regarding the outcome of this bid, however, and even if it is successful, Members are advised that its use should only be considered as a fall back position.
- The draft revised budget provides for estimated redundancy costs associated with the cessation of the current Neighbourhood Management arrangements for Poulton and the West End. Overall these will be offset by the 2009/10 Area Based Grant (ABG) allocation, but there is timing difference involved.
- Various further operational savings have been incorporated regarding CC(D)S, including an assumption that the service will continue to generate surpluses on Highways operations, in line with recent years' performance.

1.6 In terms of comparing the draft Revised Budget with the financial monitoring information that has been prepared during the year, many variances have already been reported on or were specifically highlighted as risk areas in developing the original budget back in February. As such, it is felt that the financial monitoring process continues to provide a reasonably sound indicator of the Council's financial position at a given point in time. There is always scope for improvement, however, and this will continue to be taken forward.

## **2 LOCAL GOVERNMENT FINANCE SETTLEMENT**

2.1 Government have recently announced the provisional Settlement figures for 2009/10 and 2010/11. These remain unchanged from those announced last year, and they are as follows:

2009/10 -	£15.994M
2010/11 -	£16.377M

2.2 In terms of future years, the following points should be noted:

- It is clear that there will be no rolling three-year Settlement. They will run consecutively, tied in with Government's Comprehensive Spending Reviews (CSRs). The next CSR will be undertaken in either 2009 or 2010, to inform Settlements for years 2011/12 to 2013/14.
- It is understood that for 2010/11, Government do not currently intend to change authorities' provisional figures, but neither has this been ruled out. This could prove significant as these figures were first set back in 2007, but since then

clearly the economic outlook has deteriorated significantly, resulting in the Government needing to make savings in net spending in future.

- Thereafter, from 2011/12 onwards, the prospects for public spending are very gloomy. At best, authorities could expect no real terms increase in funding; at worst, there could be real terms' reductions.
- One potentially positive move could be for Government to abolish the concept of grant 'floors', or year on year minimum increases in revenue support. Given that the City Council is due to contribute around £650K and £416K to help fund this arrangement in years 2009/10 and 2010/11 respectively, if it is abolished thereafter this could help the Council's position, although this would be affected by any other changes introduced to the grant system.
- Regarding concessionary travel, there is much debate ongoing about differences between the distribution of funding across local authorities for the new statutory scheme, and how costs actually fall. The Local Government Association (LGA) has arranged a meeting on 16 January for councils adversely affected, to determine what actions should be taken in going forward. Any available feedback will be fed into the Cabinet meeting.
- In the medium term, it is understood that the Government is planning to transfer concessionary year responsibilities from districts to transport authorities (i.e. the County Council) from 2011/12 onwards. Should there be no changes to the existing grant distribution methodology and special grant allocations in the meantime, the Council could then expect to see a significant net 'saving' overall. This is because at present, well over £1M of statutory concessionary travel costs require funding through Council Tax. The capitalisation bid referred to earlier has been submitted on the basis that should the planned transfer of the function go ahead, the City Council would use any such 'saving' to fund any remaining capitalised balance from the application.
- In accordance with the motion from Council in December, a letter was sent to the Minister for Local Government in response to Government's consultation on the provisional Settlement. The consultation period ended on 07 January.

2.3 Given the above points, at present future years' projections for Government support in 2011/12 assume a year on year increase of 2%, which is the same as for basic inflation, i.e. no real terms increase year on year. At present, no assumptions have been made regarding any potential transfer of concessionary fares responsibilities, although this will be reviewed in February when more information may be available.

2.4 Regarding Area Based Grant (ABG), there has been an increase in provisional grant awarded, in connection with climate change. This is assumed to continue into 2010/11, but no assumptions have been made for 2011/12 onwards as the future of ABG is very unclear, and it will be affected by Government's future spending plans. The updated budget assumptions are reflected in the following table:

<b>Year</b>	<b>'Cohesion' £'000</b>	<b>'Safer Stronger' £'000</b>	<b>'Climate Change' £'000</b>	<b>Total Grant Amount £'000</b>	<b>Increase £'000</b>
2008/09	26	677	23	726	23
2009/10	49	258	23	330	23
2010/11	75	--	23	98	23
2011/12	--	--	--	--	--

- 2.5 These have been built into the draft budgets for all years, as the amounts are awarded as general grant with no specific financial conditions attached. In terms of related spending plans:
- For Community Cohesion, in order to support Cabinet’s previous resolutions, this year’s allocation of £26K has been transferred into an earmarked reserve.
  - For Neighbourhood Management (‘Safer Stronger’), no budget provision has been made for any future years’ operation. This links with the comments earlier.
- 2.6 Should Members wish to consider any other related spending proposals, these would therefore need to be considered alongside all other competing needs and requests, in view of proposed priorities.
- 2.7 Cabinet may remember that funding for Community Safety is now included in the County Council’s ABG grant allocation, rather than being given directly to districts. Further information is being sought on whether the County Council will propose any changes in its use of ABG for future years.
- 2.8 With regard to capping, in making his statement to the House of Commons the Minister for Local Government stated that “keeping council tax under control remains a priority for the Government. We expect the average council tax increase in England to be substantially below 5%. We will not hesitate to use our capping powers to protect council tax payers from excessive increases. .... No decisions have been taken on capping principles for 2008/09. It would, however, be unwise for any authority to assume that capping principles set in previous years will be repeated. We intend to take decisions on principles after authorities have set their budgets, but we are prepared to announce the principles in advance if the circumstances suggest this is necessary.”
- 2.9 This message was reiterated in a letter sent to all local authority Leaders on 09 December 2008. Cabinet is advised to take these comments into account when considering proposed Council Tax increases for next year.

### 3 **DRAFT REVENUE BUDGET POSITION 2009/10**

- 3.1 The first draft of the 2009/10 budget has now been completed, and a schedule of the various inflation and other factors is set out at **Appendix C** for information.
- 3.2 Currently the draft budget for 2009/10 stands at £25.701M, as shown in **Appendix D**. This represents a net reduction of £130K when compared to the recent MTFs review, excluding any Star Chamber proposals. If no further changes were made, the current draft budget would translate into around a 26% Council Tax increase for next year.
- 3.3 Details of the main year on year variances are currently being summarised; the table overleaf provides a very high level summary:

	2009/10 £'000	2010/11 £'000	2011/12 £'000
<b>Original Budget Projections, Council 27 Feb.</b>	<b>24,726</b>	<b>25,925</b>	<b>n/a</b>
<b>Updated Budget Projections, MTFs review Sept.</b>	<b>25,831</b>	<b>27,200</b>	
Net reductions in service costs	-151	-302	
Reductions in assumed contributions from Balances	+21	+142	<b>n/a</b>
<b>Total Changes</b>	<b>-130</b>	<b>-160</b>	
<b>Current Draft Budget</b>	<b>25,701</b>	<b>27,040</b>	<b>27,987</b>

3.4 In producing budget information for the Council as a whole there are always some fairly significant assumptions made with a degree of risk attached to those assumptions – this is inherent throughout the process. In considering the latest position Cabinet is asked to note the following key points :

- i. The draft budget is based on a total contribution of £191K from Revenue Balances, reducing them to their minimum level of £1M. Given the comparatively low level of surplus balances and the high savings target, it has been assumed that the current phasing of surplus balances would end, although Cabinet will be requested to review this assumption once their budget proposals are fully developed.
- ii. The draft position takes account of the initial review of various reserves so far, as set out at section 4 of this report. There may be other changes arising, depending on Members' views regarding associated policies and priorities.
- iii. Previous Member decisions have also been included within the draft base budget, as well as some operational changes reported to Star Chamber. These include:
  - recent Cabinet decisions regarding the Youth Games, and closure of the Dome;
  - the Council decision regarding Morecambe Town Council;
  - efficiency changes associated with Member Services (mayorality support) and services for managing credit and debit card payments to the Council.
- iv. The draft budget projections take account of the using this year's and future years' Housing and Planning Delivery Grant (HPDG), to support the permanent additions to staffing approved by Cabinet back in July 2007. These were to be funded through additional income (from either fee income or HPDG), but clearly the economic downturn has had an adverse impact on activity and the resulting fee income. The budget assumes the following phased use of the £290K total allocation for 2008/09, together with an assumption that further PDG will be receivable in 2009/10, to be used for the same purpose. Whilst this offsets the additional staff costs, it does not offset other budget shortfalls in planning fee income generally. Furthermore any future allocations of HPDG are uncertain and this risk should be recognised – although it is hoped that by then that there may be some pick up in the economy.

<b>Year</b>	<b>2008/09 Allocation - Phased Use £'000</b>	<b>Future Year Allocations – Assumed Use £'000</b>
2008/09	45.2	-
2009/10	140.5	-
2010/11	105.0	40.9
2011/12	0	148.9
<b>TOTAL</b>	<b>290.7</b>	<b>189.8</b>

- v. Whilst producing this report, the Council has just received notification that an Inquiry will be held into Centros' planning application for the proposed Canal Corridor development. This will have substantial financial implications for the Council. Initial estimates are around £100K but given the timescales, this has *not* yet been built into the draft budget.
- vi. In very broad terms the treasury management estimates take account of the existing five-year capital programme and projected use of reserves and balances, and do not provide for any recovery of Icelandic investments. The drop in interest rates has also had a major impact on budget projections. Original projections assumed net investment interest for General Fund of over £1M, but this has now reduced to just over £200K for 2009/10. The basic interest rates assumed over the next three years vary from 2.25% to 4%. Given the further recent interest rate cuts, these could prove to be over optimistic, but there is still much uncertainty regarding market conditions – as there is regarding cashflow. The most recent market forecasts indicate investment rates of around 2.1% (for 3 month investment periods) to around 2.7% for long term investments. Very broadly, a 1% change in interest rate now amounts to around £120K for General Fund.
- vii. With regard to Icelandic investments, work is continuing through the Local Government Association, which is now producing monthly (rather than weekly) updates for Officers and Group Leaders. This is in light of the complexity of the legal issues and likely timescales for information regarding recovery prospects. As reported to Council in December, the base budget takes into account Government's draft Regulations, insofar as:
- No potential losses in relation to the £6M principal sum invested are provided for, in setting next year's budget. In essence, the Regulation allows deferral of this until 2010. That said, at present the budget projections for future years also do not allow for any potential principal losses.
  - Regarding interest, the revised budget provides for interest due up to the date of administration (October 2008); amounts accrued total around £260K. As at the end of this financial year, provisions for any non-recovery of these amounts will need to be reviewed.
  - From October onwards, no interest on the £6M has been assumed. The cash flow for future years also does not provide for any potential recovery in future years, at this stage.
  - Generally, the view is that some amounts will be recovered, but actual amounts and their timing are very uncertain, and this will vary for the different banks involved.

- viii. Inflation forecasts are also proving difficult; as mentioned earlier these are set out on Appendix C. General inflation prospects are based on the last Bank of England report but this was published back in November and economic prospects are thought to have deteriorated since then; there has even been some speculation about whether the UK economy will experience deflation. Overall, the current inflationary expectations may also prove over optimistic and this may well help balance out the financial risks attached to interest rate forecasts outlined above.
- ix. For staffing generally, no specific changes have been built in as yet regarding the outcome of Fairpay. This is because for the period of the MTFs, it is assumed that the outcome will be budget-neutral, after allowing for the use of the reserve and by increasing the staff turnover assumptions. At present there is sufficient to meet known estimated costs over the medium term in line with this approach, but as yet it is not known whether the impact of appeals and market supplements can be contained within the available budget. To mitigate the financial risks, however, there is still the opportunity to re-model the structure, after the first round of appeals. Cabinet will be aware from the report elsewhere on the agenda, that the preferred option would add considerable pressure to the budget in the longer term.
- x. The draft budgets assume that the current arrangements for allocating and distributing the Council's share of second homes' Council Tax income through the Local Strategic Partnership (LSP) will continue, on the basis that other authorities also continue with the arrangements.
- xi. With regard to pension costs, no further increases in employer contribution rates have yet been assumed beyond 2011/12, but this may be reviewed for the February report to Cabinet.
- xii. Members may be aware that an in-depth review of recharges was originally planned during this budget exercise. This has now been put on hold, however, given the work still ongoing regarding Fairpay but in any event the review could not be completed now, given the potential service changes coming through as part of the budget and planning process. Some work will be undertaken for various ring-fenced accounts with the intention that the full review will be undertaken later, possibly as part of closing the accounts, should resources support this.
- xiii. As in previous years, the draft budget provides for no general contingency and it is assumed that Cabinet do not wish to alter this position.
- 3.5 Finally it is highlighted that the draft budget referred to above excludes any Star Chamber or other budget proposals. These are covered in section 5 below. Items elsewhere on the agenda could also impact on the budget position.

#### **4 RESERVES AND BALANCES**

- 4.1 Under current legislation the Section 151 Officer is required to give more explicit advice to Council on the minimum level of reserves and balances. This advice should take account of:
- the context of the Authority's MTFs, not just short-term considerations;
  - the strategic, operational and financial risks facing the authority;



- the effectiveness of financial management arrangements and internal financial and other controls;
  - specific risks and assumptions underlying production of the General Fund budget figures.
- 4.2 After reviewing both the General Fund and Housing Revenue Account in comparative terms and considering the issues and assumptions outlined above, the Head of Financial Services (as Section 151 Officer) advises that the level of General Fund balances be retained at £1M to support the next three years' budget forecasts, as part of the overall MTFS.
- 4.3 The main reasons why an authority should maintain an unallocated Balance are to provide:
- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing, and
  - a contingency to cushion the impact of significant unexpected events or emergencies.

Whilst in recent years the Council has demonstrated that it can contain its spending well within budget, the recent downturn in the economy, job evaluation, concessionary travel, recovery of Icelandic investments and key planned asset sales continue to present major challenges (and therefore risks) to the authority. Some of these issues have resulted in a net overspending in the current year. Furthermore major capital projects such as Luneside East and Chatsworth Gardens may add (and have added) real pressure in managing the Council's cashflow or its overall funding position. There is real pressure on revenue balances, in that the Council's exposure to financial risk has increased significantly over a short period. That said, the Council hold other reserves for specific purposes and therefore the s151 Officer would advise maintaining unallocated balances at £1M, but on the basis that:

- there be no tolerance in this level (previously a tolerance of  $\pm 5\%$  existed);
  - other provisions and reserves remain broadly at current levels, unless a specific service policy change indicates otherwise;
  - this advice may be reviewed again, in light of final budget proposals.
- 4.4 Retaining balances at £1M would mean that £191K (estimated, as at 31 March 2009) is available to support revenue spending and this has been accounted for in the latest budget projections, but as a one-off contribution in 2009/10. As mentioned earlier the latest balances statement is attached at Appendix B for information.
- 4.5 An initial reassessment of other reserves and provisions has been completed, with the outcome of that review reflected in the statement attached at **Appendix E**. The Head of Financial Services advises that the resulting level of reserves is adequate for the period covered, but will need to be reviewed regularly as set out. In addition, she would draw attention to the following reserves that still need to be reviewed, either in light of Members' proposed priorities and associated policies, or in view of awaited spending plans, where the reserve may be tied in with statutory or contractual requirements. A further update will be provided in February.

**Estimated Balance  
At 31 March 2009**

	<b>£'000</b>
Access to Services	139
Business Continuity	100
Capital Support	818
Various Renewals Reserves	299
Community Cohesion	26
Customer First	50
Every Child Matters	48
Homelessness Support	<u>75</u>
Total	<u>1,555</u>

- 4.6 For the reassessment completed to date, the following key points should be noted:

Williamson Park

This new provision of £100K has been created, linked to an item elsewhere on the agenda. Its use will be determined by decisions regarding the company's future.

Vehicle Provision

This was set up to meet future leasing liabilities in respect of existing vehicle acquisitions. It has been removed, on the basis that the associated liabilities have now been built into the base budget projections in future years.

Modernising Local Govt / Access to Services Reserve

The balance of the Modernisation Reserve has been transferred into Access to Services, with future contributions (of around £25K per year) removed from the draft budget. Given the capital uncertainties outlined in the separate budget report, it is assumed that the wider Accommodation review, i.e. to centralise staffing within the two Town Halls and dispose of properties such as Palatine Hall etc, will not be taken forward, at least for this year. Instead, smaller measures to achieve some relocation/consolidation will be progressed, but only as far as they can be funded through the use of this reserve. E.g. this may include seeking to relocate staff out of St. Leonard's House, so that the future of that property can be reviewed.

Emergency Planning

The reserve is to be deleted, on the basis that any funding required for emergencies would be met from other budgets and reserves, or external sources, such as the Bellwin Scheme, or from Balances, as a last resort. In any event, its previous balance of £47K provided little real cover for any significant emergency.

Risk Management

The reserve balance has been reduced by £15K in the current year, and future years contributions have been halved to £10K per year. Given previous spending patterns, this should be sufficient.

- 4.7 The relatively small unallocated balances of other reserves such as Smokefree Legislation, Homeworking and Other Commuted Sums, have also been taken to revenue.
- 4.8 Cabinet is asked to note that full information on all reserves and provisions will be included in the Head of Financial Services report to Budget Council, as well as her views on the robustness of the budget generally.

- 4.9 Cabinet is recommended to approve the associated recommendations on provisions, reserves and balances as set out. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting. The net impact on the budget (excluding Balances) is summarised below:

	2008/09 £'000
<b>PROVISIONS</b>	
Vehicles	-95
Williamson Park	+100
<b>RESERVES</b>	
Emergency Planning	-47
Other Commuted Sums	-23
Risk Management	-15
Homeworking / Hotdesking	-8
Smokefree Legislation	-7
<b>NET TOTAL</b>	<b>-95</b>

## 5 STAR CHAMBER & OTHER POTENTIAL BUDGET PROPOSALS

- 5.1 During the year the Star Chamber exercise has identified various potential areas to generate savings through a combination of efficiency measures, income generation or service reductions, together with several areas of potential growth. Initiatives have arisen also through the work of Overview and Scrutiny as an example. Whilst some items have already been formally decided, others are subject to consideration as part of the budget process and these are set out at **Appendix F**. It should be noted that as yet, many items have not yet been fully quantified and may be subject to further reports and more detailed consideration. They all focus on the potential for cashable savings, however.
- 5.2 In addition to the proposals attached, at Star Chamber on 14 January various other services or activities were identified by Members, as areas in which they wish to consider further savings options. Officers are currently reviewing this information, initially to establish whether any savings options are possible and if so, what those options might be. Potentially there is significant work to be done in firming up proposals and a further update on this will be circulated in due course. As yet, it is not possible to quantify the likely savings potential.
- 5.3 There are also a number of other areas with potential budgetary implications that Members should be aware of. These include the revenue consequences of any Capital Programme changes. The links between revenue and capital will be updated as Members' budget proposals develop.

## 6 2009/10 COUNCIL TAX PROJECTIONS AND SAVINGS REQUIREMENTS

- 6.1 In order to assist Cabinet in making recommendations regarding Council Tax, the following table has been prepared. The savings requirements are shown both before and after the savings and growth proposals contained in Appendix F. Clearly should Cabinet choose not to support all proposals, or should further changes come forward, this would affect the figures.

	2009/10 REVENUE BUDGET	2009/10 COUNCIL TAX		SAVINGS REQUIRED	
		Band D	Increase	Before App. F Proposals	After App. F Proposals
	£000	£	% / £	£000	£000
2008/09 Council Tax		£178.17			
2009/10 Original Projection (MTFS)	24,726	£201.43	13.1%		
2009/10 Revised Projection (MTFS)	25,831	£227.45	27.7%		
2009/10 Current Projection	25,701	£224.70	26.1% or		
			£46.53		
Other Options based on a Tax increase of:					
1%	23,768	£179.95	£1.78	1,933	1,627
2%	23,845	£181.73	£3.56	1,856	1,550
3%	23,922	£183.52	£5.05	1,779	1,473
4%	23,999	£185.30	£7.13	1,702	1,396
4.5%	24,037	£186.19	£8.02	1,664	1,358
4.9%	24,068	£186.90	£8.73	1,633	1,327

6.2 The table shows a range of Council Tax increases from 1% to just less than 5% together with associated estimated savings required. In summary each 1% increase in Council Tax generates about an additional £77K approximately.

6.3 It should also be noted that as yet, only a provisional estimate of Collection Fund Balances has been made. These were due to be assessed as at 15 January and if possible the outcome will be fed into the meeting.

6.4 In total, if all the potential quantified savings and growth shown in the schedule at Appendix F are ultimately approved, this would reduce next year's budget by a net £306K to £25.395M. Assuming that Members wished to retain the target of a 4% increase in Council Tax, this would require further savings of £1.396M.

6.5 Cabinet is asked to consider the level of Council Tax increase for 2009/10 it wishes to recommend to Council for approval in February, bearing in mind the comments on capping as set out earlier.

## 7 COUNCIL TAX BASE

7.1 Work on the Tax Base has now been completed and parishes and precepting authorities have been notified accordingly, with information included on the Council's website. The total tax base for next year stands at 43,200 Band D properties, which represents a year on year increase of just 50 (or 0.1%). This represents a reduction of 50, when compared with the latest MTFS projections.

## 8 BUDGET PROSPECTS FOR FUTURE YEARS (BEYOND 2009/10)

8.1 As part of the Council's financial planning, indicative revenue spending and Council Tax forecasts for 2010/11 and 2011/12 have continued to be updated and are

summarised at **Appendix G**. If, in this year, substantial recurring savings can be achieved for future years, this would make subsequent budgets easier to deliver.

- 8.2 The appendix also shows the provisional Council Tax implications for the future. The Tax implications will continue to fluctuate depending on the nature of other budget proposals, i.e. whether they are one-off items or recurring. They highlight, however, the need to generate substantial ongoing savings, in order to achieve a financially sustainable budget, reflecting sustainable service delivery.
- 8.3 As referred to earlier, economic factors are very difficult to predict at present, though these could alter future years' fairly considerably. There is one other known factor that could, potentially, significantly reduce the need for savings from 2011/12 onwards, and that relates to the transfer of concessionary travel responsibilities
- 8.4 as reported earlier. This, and its impact, is far from certain however.
- 8.5 In view of the above and the comments made earlier regarding capping, at present it has been assumed that the current maximum 4.0% target increase for Council Tax in 2009/10 will be retained for future years. Cabinet will be asked to consider this in more detail at the February Cabinet meeting.

## **9 DETAILS OF CONSULTATION**

The development of revenue budget proposals falls under the consultation exercise as outlined in the budget and policy framework timetable.

## **10 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)**

Options are dependent very much on Members' views on spending priorities balanced against Council Tax levels. As such, a full options analysis could only be undertaken once any alternative proposals are known and it should be noted that Officers may require more time in order to do this. Outline options are highlighted overleaf, however.

- With regard to the Revised Budget and resulting overspending, Cabinet could consider other proposals that may influence the Revised Budget for the year.
- In terms of surplus Balances generally, it could consider retaining balances at a higher level than the minimum or a different phased use of balances.
- Regarding Council Tax increases, various options are set out at section 6 of the report. In considering these, Members should have regard to the impact on service delivery, the need to make savings or provide for growth, the impact on future years and the likelihood of capping.
- With regard to items for noting, no options are presented.

With regard to options to produce a budget in line with preferred Council Tax levels, any proposals put forward by Cabinet should be considered alongside the development of Cabinet priorities, and emphasis should be very much on achieving recurring reductions to the revenue budget, and avoiding any "unidentified" savings targets that undermine the robustness of the budget and financial planning arrangements generally.

Under the Constitution, Cabinet is required to put forward budget proposals for Council's consideration, in time for them to be referred back as appropriate. This is why recommendations are required to feed into the Council meeting on 04 February, prior to the actual Budget Council.

## **11 OFFICER PREFERRED OPTION AND COMMENTS**

The Officer Preferred options are as reflected in the report's recommendations.

## **12 CONCLUSION**

The report outlines the progress that has been made against the current MTFs, and sets out options in order for Cabinet to make recommendations to Council on 04 February regarding the level of Council Tax for 2009/10.

### **RELATIONSHIP TO POLICY FRAMEWORK**

The budget should represent, in financial terms, what the Council is seeking to achieve through its policy framework priorities and objectives.

### **CONCLUSION OF IMPACT ASSESSMENT**

(including Diversity, Human Rights, Community Safety, Sustainability etc)

None directly arising in terms of the corporate nature of this report – any implications would be as a result of specific decisions on budget proposals affecting service delivery, etc.

### **FINANCIAL IMPLICATIONS**

As set out in the report.

### **DEPUTY SECTION 151 OFFICER'S COMMENTS**

The section 151 Officer has prepared this report, and her comments and advice are reflected accordingly. Her explicit legislative requirements in terms of reporting on the robustness of the estimates and budget process, and updates on these matters, will be covered in future reports to Cabinet and Council.

### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have no observations to make on this report.

### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**  
LG Provisional Finance Settlement  
2009/10  
Medium Term Financial Strategy

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